

PROJECT HOMECOMING, INC.**FINANCIAL STATEMENTS****December 31, 2012 and 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **DEC 18 2013**

PROJECT HOMECOMING, INC.
NEW ORLEANS, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Project Homecoming, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Project Homecoming, Inc. (a nonprofit organizations), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit of 2012 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We conducted our audit of 2011 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Homecoming, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013, on our consideration of Project Homecoming, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Project Homecoming, Inc.'s internal control over financial reporting and compliance.

November 27, 2013

Wegman Payette & Company

PROJECT HOMECOMING, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 33,710	\$ 63,114
Accounts receivable	257,143	-
Grants receivable	161,336	-
Other prepaid expenses	9,477	-
Other current assets	1,379	-
Total current assets	<u>463,045</u>	<u>63,114</u>
Real estate held for sale	238,944	-
Property and equipment, at cost less accumulated depreciation	<u>95,486</u>	<u>-</u>
Total assets	<u><u>\$ 797,475</u></u>	<u><u>\$ 63,114</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 43,577	\$ 1,100
Accrued payroll and related liabilities	6,446	5,785
Other current liabilities	29,543	-
Total current liabilities	<u>79,566</u>	<u>6,885</u>
NET ASSETS		
Unrestricted	692,909	56,229
Temporarily restricted	25,000	-
Total net assets	<u>717,909</u>	<u>56,229</u>
Total liabilities and net assets	<u><u>\$ 797,475</u></u>	<u><u>\$ 63,114</u></u>

See accompanying Notes to Financial Statements.

PROJECT HOMECOMING, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Donations	\$ 1,192,149	\$ 25,000	\$ 1,217,149
Grants	596,974	-	596,974
Program revenue	201,748	-	201,748
Direct construction revenue	2,463,181	-	2,463,181
Rental Income	2,925	-	2,925
Other income	4,155	-	4,155
	<u>4,461,132</u>	<u>25,000</u>	<u>4,486,132</u>
Expenses			
Program services			
NSP2	1,760,640	-	1,760,640
Americorp	409,439	-	409,439
PDA	186,034	-	186,034
Programs	164,798	-	164,798
HOME	1,629	-	1,629
Third party	551,311	-	551,311
Volunteer programs	49,217	-	49,217
Supporting services			
General and administrative	701,384	-	701,384
	<u>3,824,452</u>	<u>-</u>	<u>3,824,452</u>
Change in net assets	636,680	25,000	661,680
Net assets			
Beginning of year	56,229	-	56,229
End of year	<u>\$ 692,909</u>	<u>\$ 25,000</u>	<u>\$ 717,909</u>

See accompanying Notes to Financial Statements.

PROJECT HOMECOMING, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues			
Donations	\$ 25,000	\$ -	\$ 25,000
Direct construction revenue	61,110	-	61,110
Other income	<u>36</u>	<u>-</u>	<u>36</u>
Total revenues	<u>86,146</u>	<u>-</u>	<u>86,146</u>
Expenses			
Program services			
Programs	638	-	638
Supporting services			
General and administrative	<u>29,279</u>	<u>-</u>	<u>29,279</u>
Total other expenses	<u>29,917</u>	<u>-</u>	<u>29,917</u>
Change in net assets	56,229	-	56,229
Net assets			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u><u>\$ 56,229</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 56,229</u></u>

See accompanying Notes to Financial Statements.

PROJECT HOMECOMING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	Program Services						General &	Total
	NSP2	AmeriCorps	PDA	Programs	HOME	Third Party	Administrative	Expenses
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 628	\$ -	\$ 5,982
Bank service charge	-	-	-	-	-	-	4,258	4,258
Direct construction	1,747,710	212,788	2,854	54,436	1,629	547,057	411	2,566,885
Indirect construction	10,350	55,626	88,813	95,215	-	3	805	250,812
Depreciation	-	-	-	-	-	-	15,469	15,469
Insurance	-	-	1,244	-	-	-	534	1,778
In-kind labor	-	-	-	-	-	-	467,520	467,520
Licenses and filings	-	-	-	-	-	-	450	450
Marketing	18	-	-	-	-	-	7,707	7,725
Meals and entertainment	3	-	-	-	-	-	2,497	2,500
Office supplies and printing	-	4,746	-	-	-	-	3,785	8,533
Other expense	-	-	-	-	-	-	1,015	1,015
Occupancy	-	-	10,133	-	-	-	279	25,131
Personnel costs	-	136,247	75,819	-	-	-	47,720	378,186
Program expense	-	-	-	15,147	-	-	-	15,147
Professional services	2,559	-	6,743	-	-	3,623	-	69,236
Travel	-	32	428	-	-	-	-	3,825
Total expenses	<u>\$ 1,760,640</u>	<u>\$ 409,439</u>	<u>\$ 186,034</u>	<u>\$ 164,798</u>	<u>\$ 1,629</u>	<u>\$ 551,311</u>	<u>\$ 49,217</u>	<u>\$ 3,824,452</u>

See accompanying Notes to Financial Statements.

PROJECT HOMECOMING, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2011

	<u>Program Services</u>		
	<u>Programs</u>	<u>General & Administrative</u>	<u>Total Expenses</u>
Bank service charge	\$ -	\$ 135	\$ 135
Indirect construction	484	-	484
Occupancy	-	462	462
Personnel costs	-	28,339	28,339
Program expense	154	-	154
Professional services	-	343	343
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 638</u>	<u>\$ 29,279</u>	<u>\$ 29,917</u>

See accompanying Notes to Financial Statements.

PROJECT HOMECOMING, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 661,680	\$ 56,229
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donated equipment included in contributions	(92,635)	-
Donated accounts receivable included in contributions	(164,009)	-
Depreciation	15,469	-
(Increase) decrease in operating assets:		
Accounts receivable	(93,134)	-
Grants receivable	(161,336)	-
Real estate held for sale	(238,944)	-
Prepaid expenses	(9,477)	-
Other current assets	(1,379)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	42,477	1,100
Accrued payroll liabilities	661	5,785
Other current liabilities	29,543	-
Net cash (used) provided by operating activities	<u>(11,084)</u>	<u>63,114</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(18,320)</u>	<u>-</u>
Net cash used by investing activities	<u>(18,320)</u>	<u>-</u>
Net (decrease) increase in cash	(29,404)	63,114
Cash and cash equivalents at beginning of year	<u>63,114</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 33,710</u>	<u>\$ 63,114</u>

See accompanying Notes to Financial Statements.

PROJECT HOMECOMING, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

1) Nature of activities

Project Homecoming, Inc. (the "Organization") is a faith-based community development non-profit organization, established in April 2010, building resilient neighborhoods in the greater New Orleans area. The Organization is committed to facilitating a culture of care in targeted communities through: safe, durable, affordable and environmentally sensitive construction; community driven partnerships, service and fellowship.

Prior to January 2012, the program was under the Presbytery of South Louisiana (the "Presbytery"). The Presbytery transferred operation to Project Homecoming, Inc. beginning in January 2012 and completed the transfer on September 2012. The final memorandum of understanding was signed between Project Homecoming, Inc. and the Presbytery on October 13, 2012.

2) Summary of significant accounting policies

The significant accounting policies followed by the Organization are summarized as follows:

(a) Financial statement presentation

The Organization's policy is to prepare its financial statements on the accrual basis of accounting, which recognizes all revenues and the related assets when earned and all expenses and the related obligations when incurred.

(b) Basis of presentation

Financial Accounting Standards Board (FASB), Accounting Standards Codification "ASC" 958, Financial Statements for Not-for-Profit Entities, requires the net assets and changes in net assets be reported for three classifications – permanently restricted, temporarily restricted and unrestricted based on the existence or absence of donor imposed restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized.

(c) Public support and revenue

Contributions are recorded as revenue when received and are generally available for unrestricted use unless specifically restricted by the donor. Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met. Unreimbursed expenses are recorded as revenue and as grants receivable when requests for reimbursement are submitted to the grantors. Real estate sales are recognized at the time the sale is complete and title has transferred to the buyer.

(d) Cash and cash equivalents

All cash-related items having a maturity of three months or less from the original maturity date are classified as cash and cash equivalents.

(e) Accounts receivable

Accounts are considered overdue if uncollected within ninety days of original invoice. The Organization considers grant receivables to be fully collectible and when a balance becomes uncollectible they are written off.

PROJECT HOMECOMING, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

2) Summary of significant accounting policies (continued)

(e) Accounts receivable (continued)

An allowance for uncollectible accounts has been maintained for estimated losses resulting from the inability of its customers to make required payments. The Organization's estimate for the allowance for doubtful accounts is based on a review of the accounts receivable. Accounts receivable is presented net of an allowance for doubtful accounts of \$5,299 and \$-0- as of December 31, 2012 and 2011, respectively.

(f) Property and equipment

Property and equipment are carried at cost. Depreciation of property is provided over the estimated useful lives of the assets using the straight-line method. Repairs and maintenance are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the assets carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. The estimated useful lives of depreciable assets are:

	<u>Useful Lives</u>
Equipment	5 - 7 years
Furniture and fixtures	5 - 7 years
Vehicles	5 years

(g) Real estate held for sale

Real estate held for sale is carried at cost plus construction costs and an overhead allocation, not to exceed estimates of net realizable value determined on an individual project basis. The real estate has been acquired to be rehabilitated and sold to qualified homeowners.

(h) Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization has filed for and received income tax exemptions in the various jurisdictions where it is required to do so.

The Organization adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*. Management of the Organization believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits. With few exceptions, the Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2009.

(i) Functional expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

PROJECT HOMECOMING, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

2) Summary of significant accounting policies (continued)

(j) Use of estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization has not experienced any losses in such accounts. The Organization has no policy requiring collateral or other security to support its deposits.

(l) Donated services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization received volunteer help to renovate and build homes. The estimated value of the contributed services for the years ended December 31, 2012 and 2011 was \$467,520 and \$-0-, respectively.

(m) Advertising

The Organization uses advertising to promote its programs. Advertising costs are expenses as incurred. Advertising expense for the years ended December 31, 2012 and 2011 was \$7,725 and \$-0-, respectively.

(n) Donated property and equipment

Noncash donations are recorded as contributions at their fair value at the date of donations. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

3) Property and equipment

Property and equipment is summarized as follows:

	<u>2012</u>
Equipment	\$ 18,002
Furniture and fixtures	23,655
Vehicles	69,298
Total costs	<u>110,955</u>
Less: accumulated depreciation	<u>15,469</u>
Property and equipment	<u><u>\$ 95,486</u></u>

PROJECT HOMECOMING, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

4) Grants receivable

The Organization was awarded various grants through federal and state agencies. Most of the grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Balances due from the grants at year end are included in grants receivable. Grants receivable for the year ended December 31, 2012 consists of the following:

	Due from grant at beginning of year	Grant Receipts	Grant Expenditures	Due from grant at end of year
<u>Federal financial assistance</u>				
U.S. Dept of Housing and Urban Development - NORA	\$ -	\$ 852,050	\$ 902,497	\$ 50,447
AmeriCorp state grant from Louisiana Service Commission	-	63,121	149,150	86,029
U.S. Dept of Housing and Urban Development - City of New Orleans	-	-	2,148	2,148
U.S. Dept of Housing and Urban Development	-	-	22,712	22,712
Total federal financial assistance	<u>\$ -</u>	<u>\$ 915,171</u>	<u>\$ 1,076,507</u>	<u>\$ 161,336</u>

5) Line of credit

The Organization has a \$245,000 line of credit with a bank for its working capital needs. The interest rate on the line is 6% and the line expired on October 15, 2013. The balance at December 31, 2012 was \$-0-.

6) Restrictions on net assets

Temporarily restricted net assets are available for the following programs:

	<u>2012</u>	<u>2011</u>
Enviromental Community Project	<u>\$ 25,000</u>	<u>\$ -</u>

PROJECT HOMECOMING, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

7) Operating leases

The Organization leases office space for its headquarters. The lease expires November 2014 and has an option for a yearly renewal thereafter. Future minimum rental payments under the leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2013	\$ 13,200
2014	12,100

The Organization also leases space for the housing of volunteers. The lease expires August 2015 and has an option for a yearly renewal thereafter. Future minimum rental payments under the leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2013	\$ 7,800
2014	7,800
2015	5,200

Total rent expense, which was included in occupancy expense, under the operating leases was \$14,500 and \$1,100 for the years ended December 31, 2012 and 2011, respectively.

8) Donated assets

The values of donated assets from the Presbytery included as contributions in the financial statements for the year ended December 31, 2012 was approximately \$92,600 of fixed assets, \$198,000 of construction expenses, \$122,000 of real estate held for sale and \$164,000 of receivables.

9) Related party transactions

During 2012, the Organization contracted with an architect company to oversee its construction projects. One member of the Organization's Board of Directors is associated with the architect company. Fees paid to the company for the year ended December 31, 2012 totaled \$19,845.

10) Economic dependence

In 2012, the Organization received approximately 34% of its revenue from federal, state and other grants. Another 21% of the Organization's revenue was in kind contributions recorded in 2012.

In 2011, the Organization received approximately 29% of its revenue from donations.

11) Subsequent events

Management has evaluated subsequent events through November 27, 2013, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**OMB CIRCULAR A-133 COMPLIANCE AND
GOVERNMENT AUDITING STANDARD REPORTS**

CLIFTON W. NEWLIN
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Project Homecoming, Inc.
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Project Homecoming, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Project Homecoming, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Project Homecoming, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Project Homecoming, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions

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was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2012-3.

Project Homecoming, Inc.'s Response to Findings

Project Homecoming, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Project Homecoming, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Metairie, Louisiana
November 27, 2013

Wegman Payette + Company

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Project Homecoming, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Project Homecoming, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Project Homecoming, Inc.'s major federal programs for the year ended December 31, 2012. Project Homecoming, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Project Homecoming, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Project Homecoming, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Project Homecoming, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Project Homecoming, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

WEGMANN DAZET & COMPANY | A PROFESSIONAL CORPORATION | CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS: AICPA PRIVATE COMPANIES PRACTICE SECTION | AN INDEPENDENT MEMBER OF THE BDO SEIDMAN ALLIANCE
NEW ORLEANS OFFICE | 111 VETERANS BLVD. | SUITE 800 | METAIRIE | LA 70005
NORTHSHORE OFFICE | 109 NEW CAMELLIA BLVD. | SUITE 106 | COVINGTON | LA 70433
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Report on Internal Control over Compliance

Management of Project Homecoming, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Project Homecoming, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Project Homecoming, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Metairie, Louisiana
November 27, 2013

Wegman Payette & Company

PROJECT HOMECOMING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Louisiana Serve Commission		
Passed through Presbytery of South Louisiana		
ARRA – AmeriCorp Grant	94.006	\$ 149,150
U.S. Department of Housing and Urban Development		
Office of Community Planning and Development	14.252	22,712
Passed through the New Orleans Redevelopment Program		
ARRA - Neighborhood Stabilization Program 2	14.256	902,497
Passed through the City of New Orleans		
HOME Investment Partnerships Act	14.239	<u>2,148</u>
Total Expenditures of Federal Awards		<u>\$1,076,507</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

PROJECT HOMECOMING, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Note 1 General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Project Homecoming, Inc. The reporting entity is defined in Note 1 to Project Homecoming, Inc.'s financial statements. All federal award programs received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 Basis of accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 3 Risk-based audit approach

The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. The Organization does not qualify as a low-risk auditee.

Note 4 Possible ineligible, disallowed and questioned costs

Project Homecoming, Inc. is subject to audits and investigations by state and federal agencies or their designees for compliance with contractual and programmatic requirements with regard to funding provided to Project Homecoming, Inc. The determination of whether any instances of noncompliance that will ultimately result in remittance by Project Homecoming, Inc. of any ineligible or disallowed costs cannot be presently determined.

PROJECT HOMECOMING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

We have audited the basic financial statements of Project Homecoming, Inc. as of and for the year ended December 31, 2012, and have issued our report thereon dated November 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States. Our audit of the financial statements as of December 31, 2012 resulted in an unqualified opinion.

SUMMARY OF THE AUDITORS' RESULTS

1. Type of report issued on the financial statements: **Unmodified Opinion.**
2. Significant deficiencies in internal control were disclosed by the audit of the financial statements: **Yes.** Material weaknesses: **No.**
3. Noncompliance which is material to the financial statements: **No.**
4. Significant deficiencies in internal control over major programs: **No.** Material weaknesses: **No.**
5. Type of report issued on compliance for major programs: **Unmodified Opinion.**
6. Any audit findings which are required to be reported under Section 501(a) of Circular A-133: **No.**
7. Major programs for the fiscal year ended December 31, 2012 were:
U.S Department of Housing and Urban Development
Neighborhood Stabilization Program 2 (CFDA #14.256)
8. Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000.**
9. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: **No.**
10. A management letter was issued: **Yes.**

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Significant Deficiencies

2012-1

Condition: Failure to provide audited financial statements to the State of Louisiana within the required six month time frame.

Criteria: Internal controls should be in place that provides reasonable assurance that the audit is completed and the report is submitted timely by management.

Recommendation: Procedures should be implemented to ensure that the audit is completed and submitted within the timeframe required by the State of Louisiana's audit law.

Views of Responsible Officials and planned Corrective Actions: Management of Project Homecoming, Inc. agrees with the finding and has addressed the failure by engaging an auditor to perform the audit. Once the audit is completed, the audit report will be submitted.

PROJECT HOMECOMING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

2012-2

Condition: Transactions entered into the accounting system could have been back dated into a period that is already closed.

Criteria: Internal controls should be in place that provides reasonable assurance that all transactions are recorded in the appropriate period and that the accounting system does not allow transactions to be back dated once the period is closed.

Cause: Procedures to require accounting periods to be closed after a certain time period were not implemented.

Effect: Because of the lack of internal controls to close accounting periods, there is an increased risk that transactions can be back dated and posted to the incorrect period.

Recommendation: Procedures should be implemented to ensure that transactions are reflected in the appropriate accounting period and no back dating is allowed by the system.

Views of Responsible Officials and planned Corrective Actions: Management of Project Homecoming, Inc. agrees with the finding and has addressed the failure by closing the accounting periods in the accounting system after the financials for the period are finalized.

2012-3

Condition: The Organization did not follow grant guidelines regarding member enrollment as noted in the review by the grantor performed on July 11, 2013. The Organization received a report dated September 30, 2013 with the grantors findings.

Criteria: Internal controls should be in place that provides reasonable assurance that management is aware of all grant guidelines and that the guidelines are followed.

Cause: Procedures and documentation of a member's eligibility were not documented accurately.

Effect: Because of the lack of internal controls to maintain proper documentation of a member's eligibility there is an increased chance of the grantor disallowing eligible expense reimbursements.

Recommendation: Procedures should be implemented to ensure that all grant guidelines are followed and the necessary documentation is maintained.

Views of Responsible Officials and planned Corrective Actions: Management of Project Homecoming, Inc. agrees with the finding and has addressed the failure establishing procedures to ensure that all grant guidelines are followed. Project Homecoming, Inc. responded to the grantors finding on October 24, 2013.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no items identified in the course of our testing during the current year required to be reported.

PROJECT HOMECOMING, INC.
MANAGEMENT CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2012

Section I Internal Control and Compliance Materials to the General Purpose Financial Statements

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
<p>2012-1 Failure in operation of internal controls:</p> <p>Failure to provide audited financial statements to the State of Louisiana within the required six month time frame.</p>	<p>Management of the Project Homecoming, Inc. has addressed this failure by engaging an auditor to perform the audit. Management will have the audited financial statements submitted to the State when the audit is completed.</p> <p>In the future, management will ensure that the audit is completed and submitted within the timeframe as required by the State of Louisiana's audit law.</p>
<p>2012-2 Failure in operation of internal controls:</p> <p>The Organization's internal control system allowed check payments and deposit transactions to be back dated.</p>	<p>Management of Project Homecoming, Inc. has implemented procedures that ensures that all transactions are reflected in the appropriate period and no back dating is allowed by the accounting system.</p>
<p>2012-3 Failure in operation of internal controls:</p> <p>The Organization's internal control system allowed member enrollment procedures which were not in compliance with the grant guidelines. This finding was noted in the grantor's review.</p>	<p>Management of Project Homecoming, Inc. has implemented procedures that ensure that all grant guidelines are followed.</p> <p>On October 24, 2013, Management of the Project Homecoming, Inc. responded to the grantors findings noted in their review of the grant.</p>

PROJECT HOMECOMING, INC.
MANAGEMENT CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2012

Section II Internal Control and Compliance Material to Federal Awards

There were no items identified in the course of our testing during the current year required to be reported.

Section III Management Letter

SECTION III MANAGEMENT LETTER	
2012-4 Expense Allocations: The Organization did not consistently allocate the 2012 expense amounts to some programs and projects.	Management of Project Homecoming, Inc. has implemented procedures that ensure that all expenses are allocated properly at the end of each month.
2012-5 Accounts Receivable and Accrued Revenue: The Organization's account receivable and accrued revenue accounts did not accurately reflect all reimbursements due from the grants at the year ended December 31, 2012.	Management of Project Homecoming, Inc. has implemented procedures that ensure that all grant reimbursements are recorded in the appropriate accounting period.
2012-6 Fidelity Bond: The Organization was reviewed by one of its grantors and it was noted that they did not have the required fidelity bond for person handling funds received or disbursed under the grant contract.	Management of Project Homecoming, Inc. is in the process of acquiring the required fidelity bond under the grant contract.
2012-7 Grant Reimbursements: The Organization's did not agree supporting bills to grant reimbursement request.	Management of Project Homecoming, Inc. has implemented procedures to ensure that support is kept for all grant expenditures and that reimbursement requests agree to the accounting records.

CLIFTON W. NEWLIN
ROBERT D. WATKINS
EDWARD G. BERBUESSE, JR.
JON S. FOLBE



WEGMANN DAZET & COMPANY

MARK D. BOHNET
LIBA D. ENGLADE
KERNEY F. CRAFT, JR.
JONATHAN P. KOENIG

November 27, 2013

Project Homecoming, Inc.
2221 Filmore Ave.
New Orleans, LA 70122

MANAGEMENT LETTER

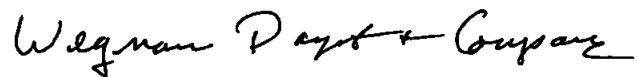
We were engaged to audit the basic financial statements of Project Homecoming, Inc. as of and for the years ended December 31, 2012 and, and have issued our report thereon dated November 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of OMB Circular A133.

As part of our examination, we have issued our report on the financial statements, dated November 27, 2013, and our report on internal control and compliance with laws, regulations, contracts, and grants, dated November 27, 2013.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

- Suggestion 2012-4: During the audit, it was noted that the Organization did not consistently allocate expenses to programs and projects. We recommend the Organization establish procedures to ensure that all expenses are allocated properly.
- Suggestion 2012-5: During the audit, it was noted that accounts receivable and accrued revenue accounts did not accurately reflect all reimbursements due from the grants at the end of the year. We recommend the Organization establish procedures to ensure that all grant reimbursements are recorded in the appropriate period.
- Suggestion 2012-6: During the audit, it was noted that the Organization was reviewed by one of its grantors and it was noted that the Organization did not have the required fidelity bond for person handling funds received and disbursed under the grant contract. We recommend the Organization take the appropriate step to acquire the fidelity bond.
- Suggestion 2012-7: During the audit, it was noted that the Organization did not agree supporting bills to grant reimbursement requests. We recommend the Organization implement procedures to ensure that support is kept for all grant expenditures and that reimbursement requests agree to the accounting records.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendations.

A handwritten signature in cursive script that reads "Wegmann Dazet & Company". The signature is fluid and stylized, with the company name written in a single line.

Wegmann Dazet & Company